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FEDERAL COMMUNICATIONS COMMISSION
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Physical Collocation for Special Access and Switched Transport	)	CC Docket No. 93-162

PACIFIC BELL'S SECOND SUPPLEMENTAL REFUND PLAN

I. INTRODUCTION

Pacific Bell files its Second Supplemental Refund Plan in compliance with the Commission's *Second Report and Order*, released June 13, 1997, and the Commission's *Order*, released July 25, 1997, in the above-captioned proceeding.[1] Pacific Bell filed its Refund Plan July 28, 1997 and its Supplemental Refund Plan on August 8, 1997. This Second Supplemental Refund Plan replaces those earlier filings and expands and completes our Refund Plan to cover all of Pacific Bell's collocation

[1] The latter order granted Pacific Bell an extension of time. Our compliance with the *Second Report and Order* does not, of course, constitute a waiver of our right to appeal any issue arising in the *Order*. Further, the cost information provided in filings to comply with the *Order* does not reflect Pacific Bell's cost of providing collocation, but instead reflects, in whole or in part, derived costs calculated in accordance with the *Order*.

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central offices.[2] Exhibit A hereto is Pacific Bell's Expanded Interconnection Refund Summary. In accordance with discussions with Commission staff, Pacific Bell has calculated the planned refunds summarized in Exhibit A hereto using compound interest, instead of simple interest. Consistent with this approach, proration of partial-month interest has been done for planned refunds, and planned refunds are based on a flat 8% interest rate.[3]

In the *Second Report and Order* ("*Order*"), the Commission required that the LECs' refund plans include full explanations of how they have complied with the findings of the *Order*. In the sections that follow, Pacific Bell sets forth this explanation and its plan to provide refunds.

II. COST ADJUSTMENTS FOR PHYSICAL COLLOCATION SERVICES

A. Direct Cost Disallowances

Pacific Bell has met all the requirements for direct cost disallowances (*Order*, para. 63). The Commission required the following disallowances to Pacific Bell's direct costs:

1. Requirement to remove 30 square feet from floor space rates (*Order*, para. 96).
2. Requirement to remove repeater (*Order*, para. 109) and POT bay (*Order*, para. 113) costs from DS1 and DS3 cross connection rates.

[2] Pacific Bell filed tariff revisions for many of its collocation offices on July 28, 1997, and is filing tariff revisions for the remainder of its collocation offices on August 21, 1997.

[3] Accordingly, the information in Exhibits A and B of Pacific Bell's August 8, 1997 Supplemental Refund Plan, which related to the use of simple interest, is no longer included.

3. Requirement to reduce floor space direct costs relative to the industry average plus one standard deviation point (*Order*, para. 190).

4. Requirement to reduce DC power direct costs relative to the industry average plus one standard deviation point (*Order*, para. 206).

5. Requirement to reduce security installation direct costs relative to the industry average plus one standard deviation point (*Order*, para. 240).

6. Requirement to reduce construction direct costs relative to the industry average plus one standard deviation point (*Order*, para. 263).

With regard to requirements 1 and 2 above (the "case-by-case" cost analysis), Pacific Bell removed the square footage for collocator cage access from its floor space function and also removed repeater and POT bay costs from its DS1 and DS3 cross connections. With regard to requirements 3 thru 6 above (the "function-by-function" average cost analysis), Pacific Bell removed the cost disallowances for the four functions in which the Commission required Pacific Bell to make adjustments.

B. Prescribed Overhead Factors

Pacific Bell made all the required overhead loading disallowances (*Order*, para. 304). The Commission determined that Pacific Bell must reduce its DS1 and DS3 physical collocation rate elements to reflect the lower of (1) the overhead loading factor assigned to each particular physical collocation service DS1 or DS3 rate element; and (2) the lowest overhead factor reflected in its rates for any of its comparable DS1 or DS3 services (*Order, para.* 313). Pacific Bell adjusted its overhead loadings downward to the prescribed level for those functions where the overhead loading exceeded the prescribed level.

III. RATE ADJUSTMENTS

Pacific Bell's method for identifying cost disallowances is detailed in the Description and Justification for Cost and Rate Adjustment Methodology that accompanies Pacific Bell's tariff revisions for Expanded Interconnection Service (filed on July 28, 1997 and August 21, 1997). Pacific Bell translates these cost disallowances by tariff review plan ("TRP") function into rate adjustments, as described in the Methodology.

IV. REFUNDS

Exhibit A hereto is Pacific Bell's Expanded Interconnection Refund Summary. Pacific Bell's planned refund amounts for physical collocation services are based on the differences between the rates that result from the disallowances that Pacific Bell has made to comply with the *Order* and the actual rates charged to those customers subscribing to Pacific Bell's physical collocation services between December 15, 1994 and the day before Pacific Bell's new rates take effect pursuant to the *Order*. These differences are by central office, for each of six affected rate elements: central office space (recurring), central office space (non-recurring), infrastructure (non-recurring), DC power (recurring), DC power (non-recurring), and power cabling (non-recurring). Planned refunds are calculated separately for each rate element and each customer in each central office.[4] Pacific Bell's planned refunds take into account the disallowance of POT bay and repeater costs from DS1 and DS3 cross connection rates.

[4] Customer specific information is not included in this filing because of its proprietary nature.

All planned refunds take into account the quantities of elements purchased, the dates they were purchased, and in the case of recurring rates, the lengths of time that the elements were in service. Refund calculations include compound interest and are based on IRS interest rates. Partial-month interest is prorated based on the number of days in the month in question.

V. METHOD OF RATE REFUNDS

Pacific Bell will deliver a check to each collocator for the full amount of its refund.

VI. CONCLUSION

Pacific Bell respectfully requests that the Commission accept this Second Supplemental Refund Plan.

Respectfully submitted,

PACIFIC BELL

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Date: August 21, 1997

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EXHIBIT A

Pacific Bell **Expanded Interconnection Refund Summary** **CC Docket No. 93-162**

	A	B	C	D	E	F	G	H	I
	Central Office Floor Space	Central Office Floor Space	Infrastructure	DC Power Generation	DC Power Generation	DC Power Cabling	EISCC DS1	EISCC DS3	TOTAL REFUND
	Recurring	Non-Recurring	Non-Recurring	Recurring	Non-Recurring	Non-Recurring	Recurring	Recurring	
Phase 1	$ 586,762.99	$ 14,582.48	$ 116,726.41	$ 395.15	$ 105.00	$ 1,427.35	$ 16,297.69	$ 338,074.22	$ - $ 1,074,371.30
Phase 2	$ 49,557.45	$ 11,046.81	$ 118,978.69	$ 794.11	$ 79.11	$ 736.81	$ -	$ -	$ - $ 181,192.98
TOTAL	$ 636,320.45	$ 25,629.29	$ 235,705.10	$ 1,189.26	$ 184.11	$ 2,164.16	$ 16,297.69	$ 338,074.22	$ - $ 1,255,564.28

Phase 1 refunds pertain to customers in central offices with revised rates effective August 12, 1997

Phase 2 refunds pertain to customers in central offices with revised rates effective September 5, 1997